

RatingsDirect®

Summary:

Grand Traverse County, Michigan; General Obligation

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Credit Profile		
US\$12.0 mil GO ltd tax bnds ser 2023 dtd 10/04/2023 due 11/01/2043		
Long Term Rating	AA+/Stable	New
Grand Traverse Cnty GO		
Long Term Rating	AA+/Stable	Upgraded

Credit Highlights

- S&P Global Ratings raised its rating on Grand Traverse County, Mich.'s general obligation (GO) debt, previously issued by and for the county, one notch to 'AA+' from 'AA'.
- At the same time, S&P Global Ratings assigned its 'AA+' rating to the county's roughly \$12 million series 2023 limited-tax GO bonds.
- The outlook is stable.
- The rating action reflects our view of consistently improving finances, particularly available reserve growth during the past half decade, providing sufficient flexibility. In our opinion, wealth and local economic growth also supports the rating action.

Security

The county's full-faith-and-credit limited-tax GO pledge secures the series 2023 bonds. The bonds are payable from ad valorem taxes levied on all taxable property, subject to statutory limitations. We rate the limited-tax GO debt at the same level as our view of the county's general creditworthiness because ad valorem taxes are collected from the county's property tax base and because there are no limitations on the fungibility of resources available for debt service.

The county has multiple bond issues outstanding with structures that pledge limited-tax GO support while additional underlying taxing units also pledge limited-tax GO support to either portions or all of the debt service. In each case, each party pledges to levy ad valorem taxes annually within authorized millages to fund obligations; to the extent taxes are insufficient, all other available revenue sources are pledged for payment. In each case, our rating solely reflects the county, which is of equal or greater credit quality than the additional parties.

Officials expect to use series 2023 bond proceeds to fund the new Kingsley Facility for Grand Traverse County Road Commission.

Credit overview

In our opinion, continued strengthening of reserves and local tax base growth, leading to increased revenue that allows the county to maintain operationally positive operations through various economic cycles, support the rating. In

addition, the county will continue to serve as an employment hub and attract tourism all year round.

Available reserves were 65% of general fund expenditures in fiscal 2022 with expectations for further increases in fiscal 2023 by \$1.5 million. Management does not currently plan to draw on reserves, and the fiscal 2024 budget is trending at least breakeven or close to in-line with previous-year surpluses. Management attributes continued surpluses to a growing local tax base and multiple open positions, leading to budget savings.

In 2022, the county demonstrated its commitment to address pension and other postemployment benefit obligations with a pension obligation bond issuance that reduced pension costs; this has not pressured the debt profile.

The county is an agricultural and tourist area with year-round recreational activities. The principal agricultural business is the growing and processing of cherries, grapes, and other fruits. Due to the tourist business, the county is a major retail area of northwestern Michigan. The county expects tax base growth due to recent trends and ongoing residential and commercial development. Traverse City, the county seat, continues to expand with several multimillion-dollar projects under construction, including additional housing.

The rating reflects our assessment of the county's:

- Status as a growing regional economic hub and tourist destination, serving northwestern Michigan, continuing to see commercial and residential development we think will likely further increase already high property wealth and real estate tax revenue;
- Strong management with good financial-management policies, practices under our Financial Management Assessment (FMA) methodology—including its comprehensive, long-term budget planning and reserve policy that establishes a minimum unrestricted fund balance at 30% of expenditures to mitigate unforeseen budget pressure—and strong Institutional Framework score;
- longstanding, demonstrated record of outperforming the budget, resulting in ongoing increases in reserves that should continue; and
- Manageable debt-and-contingency-liability profile due to an expected significant reduction in pension obligations and limited significant new-money debt needs--The county's privately placed debt does not expose it to contingent-liability risk.

Environmental, social, and governance

We have analyzed environmental, social, and governance (ESG) risks relative to the county's economy, management, financial measures, and debt-and-liability profile; we view all factors as neutral within our credit-rating analysis. The county borders Lake Michigan and contains numerous inland lakes, so it is vulnerable to fluctuations with water levels rising and potential flooding that could pose environmental risk; however, it has not experienced any such occurrence in recent memory.

Outlook

The stable outlook reflects S&P Global Ratings' view that the county's strong management, resulting in positive operating surpluses and maintenance of very strong reserves, will likely continue during the two-year outlook.

Downside scenario

We could lower the rating if the county were to draw down reserves to levels we no longer consider commensurate with similar-rated peers.

Upside scenario

Holding all other factors equal, we could raise the rating further if economic indicators were to improve to levels we consider commensurate with higher-rated peers.

Grand Traverse County, Michigan key credit metrics

	Most recent	--Historical information--		
		2022	2021	2020
Strong economy				
Projected per capita effective buying income (EBI) (%) of U.S.	107.2			
Market value per capita (\$)	205,771			
Population		95,400	93,827	93,334
County unemployment rate(%)		3.8		
Market value (\$000)	19,630,570	17,163,804	15,585,362	
10 largest taxpayers as a % of taxable value	3.6			
Strong budgetary performance				
Operating fund result as a % of expenditures		5.1	0.7	2.5
Total governmental fund result as a % of expenditures		(3.8)	1.6	5.3
Very strong budgetary flexibility				
Available reserves as a % of operating expenditures		64.9	59.3	61.8
Total available reserves (\$000)		26,287	25,272	24,966
Very strong liquidity				
Total government cash % of governmental fund expenditures		103.6	94.2	84.1
Total government cash % of governmental fund debt service		1,355.1	5,514.9	4,408.2
Strong management				
Financial Management Assessment	Good			
Strong debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		7.6	1.7	1.9
Net direct debt as a % of governmental fund revenue	117.9			
Overall net debt as a % of market value	1.2			
Direct debt 10-year amortization (%)	75.1			
Required pension contribution as a % of governmental fund expenditures		3.3		
Other postemployment benefits actual contribution as a % of governmental fund expenditures		0.7		
Strong Institutional Framework				

Data points and ratios may reflect analytical adjustments.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- 2022 Update Of Institutional Framework For U.S. Local Governments
- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of September 18, 2023)		
Grand Traverse Cnty GO ltd tax bnds ser 2021A due 09/01/2034		
Long Term Rating	AA+/Stable	Upgraded
Grand Traverse Cnty GO ltd tax bnds (federally taxable)		
Long Term Rating	AA+/Stable	Upgraded
Grand Traverse Cnty GO ltd tax bnds (Grand Traverse Pavilions) ser 2021B due 09/01/2039		
Long Term Rating	AA+/Stable	Upgraded
Grand Traverse County Building Authority, Michigan		
Grand Traverse County, Michigan		
Grand Traverse Cnty Bldg Auth (Grand Traverse Cnty) GO		
Long Term Rating	AA+/Stable	Upgraded
Grand Traverse County, Michigan		
Blair Township, Michigan		
Grand Traverse County, Michigan		
Grand Traverse Cnty (Blair Twp sys)		
Long Term Rating	AA+/Stable	Upgraded
Grand Traverse County, Michigan		
Grand Traverse County, Michigan		
Peninsula Township, Michigan		
Township of East Bay, Michigan		
Grand Traverse Cnty (East Bay sys & Peninsula sys)		
Long Term Rating	AA+/Stable	Upgraded
Grand Traverse County, Michigan		
Grand Traverse County, Michigan		
Township of East Bay, Michigan		
Grand Traverse Cnty (East Bay sys)		
Long Term Rating	AA+/Stable	Upgraded

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed

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